



MOTU ECONOMIC AND PUBLIC POLICY RESEARCH
AND MOTU RESEARCH AND EDUCATION FOUNDATION

Annual Report

July 2010 – June 2011

MOTU

PRODUCING
HIGH QUALITY RESEARCH
PROMOTING
REASONED DEBATE
DISSEMINATING
TOPICAL ECONOMIC
AND PUBLIC POLICY RESEARCH

Patrons:





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July 2010 – June 2011

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Introduction

Motu Economic and Public Policy Research is a leading not-for-profit research institute. Since its inception in 2000, Motu has been recognised nationally and internationally for the high quality and relevance of its research. Motu is fully independent and its reputation is based on its work not being compromised by any expressed ideology or political position. Motu is funded through research grants, sponsorship for our Public Policy Seminar Series, and occasional donations.

Motu's strength comes from its people. The seven senior researchers and associates at Motu all have PhDs from top international universities and extensive public policy-related work experience. Motu is also affiliated with many internationally renowned experts, and these networks are vital to its success.

The Motu trust was established to promote well-informed and reasoned debate on public policy issues relevant to New Zealand decision-making. To this end we are committed to three broad goals: high-quality research, building capability, and free dissemination.

Motu's success is centred on high-quality research. Motu's research is strongly relevant to long-term public policy issues. This is seen in recent research relating to infrastructure, labour market productivity, climate change, housing, the Auckland economy, and the intergenerational impacts of tax and retirement policies.

Motu works to build capability in economic and public policy research in New Zealand. As a part of this, Motu researchers teach university courses and supervise thesis students in economics. Motu also offers junior research roles, and provides opportunities for staff to further their training.

Motu is also committed to freely disseminating its research findings and making them accessible to a wider audience. It runs free public policy seminars in Wellington and Auckland. Motu also holds conferences, dialogue groups and workshops, and looks for more innovative ways to disseminate our high quality research. Motu's primary audiences are the New Zealand public services, private sector organisations interested in policy, academics, Māori and non-profit organisations.

Motu Economic and Public Policy Research is also closely affiliated with the Motu Research and Education Foundation, which helps Motu further its public good role.

Director's Report

Motu's standing as a top quality applied economic research institute continues to grow.

The Senior Fellows are at the heart of Motu's high-quality research leadership. All Senior Fellows continue to have strong links to universities and to New Zealand and international researchers. Four Senior Fellows were associated with funding proposals that were shortlisted for Marsden grants at the end of 2010/11.

Suzi Kerr has continued to research the impacts of emissions trading and climate change on land use patterns in agriculture, as well as study issues relating to the regulatory design of nutrient trading schemes. Arthur Grimes completed a major research programme on infrastructure during 2010/11. This programme assessed the impacts of investments in new rail, roading and broadband on land prices and productivity. It raised important questions relating to urban limits and the need for broader system thinking. Andrew Coleman was a member of the government's Savings Working Group. He has published a series of research notes that highlight some challenging economic and policy implications of an ageing population. Dave Maré has continued his research into labour productivity and the determinants of firm and population location decisions in Auckland, concluding a major research programme with a series of working papers. Steve Stillman's work on immigration from the Pacific focuses on multiple aspects of the immigration process and the outcomes for migrants.

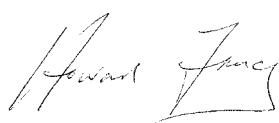
Dissemination of research has continued to be a strong focus. Over 2010/11 we maintained a strong publication rate, putting out 21 Motu Working Papers and 5 Motu Notes. Motu researchers also had 11 articles published in refereed journals. During the year Motu held a number of public policy seminars in Auckland and Wellington. Arthur's programme of infrastructure research culminated in a full day workshop held at Te Papa. All research staff gave papers at conferences. We have also held a number of internal seminars with external guests.

Motu was associated with the establishment of the University of Waikato's National Institute for Economic and Demographic Analysis. This relationship will combine different research capabilities that can focus on important research questions relating to the significant demographic forces shaping New Zealand's future social and economic development.

An exciting aspect of Motu is the very high quality of the New Zealand interns and research analysts who work here. These are top students with very strong quantitative and economic skills who make a major contribution to Motu's research effort. These research analysts all represent an important part of New Zealand's future economic research capability. Most will go to study for PhDs or work in the public sector. Izi Sin, a former research analyst, has recently completed her PhD at Stanford and will join Motu as a Research Fellow in early 2012, while another former research analyst, Melanie Morton, is completing her PhD at Yale. Current Motu Research Analyst Alex Olssen received the Jan Whitwell prize for the best presentation of work undertaken as part of a degree at this year's New Zealand Association of Economists' Annual Conference. We also hosted four international interns during the year. Two were from Stanford University and two from ENSAE ParisTech. All were top students who have very bright futures ahead of them, and the opportunities here can lay the foundation for future research relationships.

The administrative staff makes a strong contribution to the work and vision of Motu and I would like to thank them for their commitment, their professionalism and for the many things they do to support the building of economic research capability and the dissemination of research.

Finally I would like to acknowledge the support and guidance from the trustees of the Motu Research Trust and of the Motu Foundation. All give their time willingly and without remuneration. Their guidance is invaluable. I welcome John Hay as our new chair from 2011/12. John takes over as chair after a few years on the Motu board and an impressive career in research. I would like to especially acknowledge Colin James, who is leaving the Motu Board after having chaired it for the last five years. Colin has been totally committed to the vision and values of Motu and has provided wise direction to the organisation. It has been a pleasure working with Colin and he will be missed.



Howard Fancy

Chair's Report

Motu finished the 2010/11 year in a strong position, both in its research activities and accomplishments and its finances. It exemplifies many of the qualities public and private research institutes strive for: it is built around excellence of research, it is focused on the relevance of its research to public policy, and it is forward-looking, seeking to build future economic research capability in New Zealand.

During my time on the board I have been impressed by the strength of its vision and its commitment to delivering on that vision – no easy feat in a system dominated by public institutions.

I know a kūmara should not proclaim its sweetness, but I hope those in authority in the public and private sectors do recognise the particular and important strengths that an organisation like Motu provides within a wider research system and the very considerable contribution its research makes to improving the quality of public policy in New Zealand.

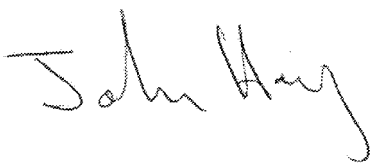
There have been Senior Fellow changes over the last year. Steve Stillman has gone to an economics chair at Otago University but will continue an association with Motu. In 2011/12 Richard Fabling will join Motu as a Senior Fellow and Izi Sin, a former research analyst, will return with a PhD from Stanford as a Research Fellow. The fact that Motu is able to maintain its core research capability and its high standards attests to the strength of the idea and the institution. Its international connections are evidenced by the hosting of four interns from top northern hemisphere universities.

And Motu has had for two years the wisdom and extensive connections of Howard Fancy after his impressive public service career. That Howard wanted to work with Motu also attests to the quality of the organisation.

The board lost a valuable member with the untimely death of Dean Stebbing, one of Māoridom's most impressive rising stars. In the course of the year Leith Comer, chief executive of Te Puni Kōkiri, joined the board, adding to its strength.

I took over from Colin James as chair of the Trust board at the end of the 2010/11 year. I would like to acknowledge Colin James for his leadership of the board and for his commitment to Motu. He has brought enthusiasm and purpose to the role that has been great.

As the new Chair of the Motu Economic and Public Policy Research Trust, I am looking forward to working with a board and an organisation that is so strongly committed to making a difference to New Zealand's future.



Dr John Hay



About Motu

Motu works to build economic and public policy research capacity in New Zealand and prioritises disseminating our research to ensure that our findings are freely available. We invest in young researchers and help to develop collaborative research networks and relationships with universities within New Zealand and overseas. These activities increase Motu's profile and help to build trust in our research, independence, and charitable status.

About Motu

Motu Economic and Public Policy Research was established in 2000, with six core purposes:

1. To carry out empirical research of high quality, suitable for acceptance in reputable journals;
2. To make existing knowledge more accessible for policy debates in New Zealand;
3. To disseminate our work and our knowledge;
4. To build New Zealand's capability to carry out empirical and theoretical research;
5. To maintain close links with international experts working in our fields; and
6. To facilitate the visits of relevant international experts to New Zealand.

In 2010/11 Motu's research was of a high standard, and our Senior Fellows maintained strong links with the New Zealand and international academic communities.

Disseminating High-Quality Research

Motu publishes its research in an accessible and useful way. Our two publication series, the Motu Working Paper Series and Motu Notes, are both freely available from our website, www.motu.org.nz. Motu Working Papers are technical papers designed to be read by economists and academics, while Motu Notes are less technical and designed to appeal to a general or policy audience. Motu also maintains an online archive of its public datasets.

Motu releases a newsletter, the Motu Research Update, twice a year. Its articles are short, topical, and designed to be accessible to a wide audience. In 2010/11 articles featured research on trans-Tasman migration, water quality regulation, forestry in the New Zealand Emissions Trading System, reducing emissions from tropical deforestation, the projected effects of rail upgrades in Auckland, carbon trading and New Zealand forestry, infrastructure policy in Christchurch following the September and February earthquakes, and funding superannuation schemes in New Zealand.

Teaching

Motu's Senior Fellows work closely with universities. All of Motu's senior fellows have taught at various universities in New Zealand and overseas in the past year. Moreover, in September 2010 Dave Maré and Steve Stillman taught a three-day course on causal analysis, intended primarily for practitioners who design and conduct empirical analyses for research and evaluation projects. The course was well-attended and received.

Seminar Series

Motu promotes current research to a wider audience through the Motu Public Policy Seminar Series, held in both Auckland and Wellington. Public Policy Seminars both communicate the results of Motu's research, and provide a venue for other leading local and international researchers to speak to a public audience. These seminars cater to a broad audience, including policy analysts and the wider public interested in particular economic and policy issues.

In 2010/11, Motu presented the following public policy seminars:

Oaxaca, Ronald. 2010. "The Challenge of Measuring Labour Market Discrimination Against Women", Wellington Public Policy Seminar, July.

Cook, Len. 2010. "Social Sciences, Public Policy, and Difficult Decisions", Wellington and Auckland Public Policy Seminars, August.

Stroombergen, Adolf. 2010. "General Equilibrium Analysis of CO2 Mitigation Options", Wellington Public Policy Seminar, September.

Tienda, Marta. 2010. "Migration and Youth Development: Insights from a Child Centric Approach", Wellington Public Policy Seminar, November.

Griffith, Rachel. 2010. "Public Policy and Growth", Wellington Public Policy Seminar, December.

Poot, Jacques. 2010. "Economic Impacts of Immigration", Wellington and Auckland Public Policy Seminar, 16th December.

MacKenzie, Ian. 2011. "Is Cap-and-Trade Failing? Corrective Policies for the Future". Wellington Public Policy Seminar, 3rd March.

Sin, Isabelle. 2011. "The International Diffusion of Ideas", Wellington and Auckland Public Policy Seminars, March.

Alcock, Frank. 2011. "Deepwater Horizon: What Happened, Why and Where Do We Go from Here?" Wellington and Auckland Public Policy Seminars, June.

Motu also runs an internal seminar series. This series, which is attended by Motu staff and local academics and researchers, aims to allow presenting researchers the opportunity for feedback on work in progress, while simultaneously allowing Motu's research to remain up-to-date with current methodology and topics. It builds internal capability as well as developing Motu's relationships with local and visiting researchers. In 2010/11, Motu ran internal seminars by Suzi Kerr, Steve Stillman, Andrew Coleman, Frank Alcock (New College of Florida), Izi Sin (Stanford University), Steve Hatfield-Dodds (CSIRO), Ian MacKenzie (Swiss Federal Institute of Technology (ETH), Zurich), and Kate Choi (Princeton University).

Investing in Young Researchers

A key way in which Motu builds research capability in New Zealand is through its commitment to training and employing young people. Motu employs top economics graduates as research analysts to assist our Senior Fellows with all parts of the research progress. They are supported in continuing their studies while they are at Motu. Many have gone on to complete PhDs and moved into high-level policy positions.

Motu regularly hires interns with an undergraduate degree in economics or statistics who plan to do post-graduate study. Internships help young researchers to build their skill base, while strengthening New Zealand's empirical research capability. Motu enjoyed the company of three local interns over the summer of 2010/11. Katy Bergstrom worked with Arthur Grimes and Steve Stillman on a homeownership programme, investigating the impacts of changes in state housing density. Bobby Brooks (Tainui, Ngāti Maniapoto, Ngāpuhi), who received Motu's Māori internship for this year, worked with Suzi Kerr on a review of the Afforestation Grants Scheme. Morag McDonald, who also worked with Arthur Grimes and Steve Stillman, compared census data with official Housing New Zealand Corporation state housing data.

Motu also hosts interns from overseas, as a way of building our linkages with the international community. During 2010/11 we hosted Marie-Laure Nauleau and Juliette Grangier from ENSAE ParisTech. ENSAE ParisTech is the leading French school of economics and statistics. Marie-Laure worked on Motu's nutrient trading programme. Juliette interned, with Motu's support, at the Department of Labour. She worked with data from LisNZ, the Longitudinal Immigration Study: New Zealand.

Motu also hosted Eric Karpas and Madeline Duhon from Stanford University. Eric and Madeline worked with Suzi Kerr and the environment team, Eric studying forestry's role in the New Zealand Emissions Trading Scheme and Madeline working on nutrient trading in Lake Taupo.

All of the interns completed outstanding work, and made genuine contributions to ongoing research projects at Motu. We look forward to following their progress.

International Visitors

Motu often hosts visiting researchers from overseas, as we develop our connections to the wider academic community. In 2010/11 we hosted Marta Tienda and Kate Choi (Princeton University), Shane McRae (Michigan University), Ian MacKenzie (Swiss Federal Institute of Technology (ETH), Zurich), and Miriam Chaum (Environmental Defense Fund, New York), as well as Izi Sin of Stanford University. Izi is a former Motu Research Analyst, and will return to Motu as a Research Fellow in 2012.

Motu People

Senior Fellows and Associates



Howard Fancy *Director*

Howard has been Motu's director since 2009. He has an extensive background in leadership and public policy, including senior roles in the New Zealand Treasury, Chief Executive of the Ministry of Commerce, Chief Executive of the Ministry of Education, and Acting Chief Executive for the Ministry for the Environment. He also currently undertakes a number of governance roles in the public and private sectors.



David C. Maré *Senior Fellow*

Dave was a founding Senior Fellow of Motu with Suzi Kerr in 1998 and has also been an Adjunct Professor of Economics at the University of Waikato since 2009. Previously he was a researcher at the New Zealand Department of Labour. Dave gained his PhD in Economics at Harvard University in 1995, specialising in labour economics and urban economics. His current research interests include the economics of immigration, the economic performance of cities and regions, and patterns of labour market adjustment – for individuals and in aggregate.



Suzi Kerr *Senior Fellow*

Suzi jointly founded Motu with Dave Maré in 1998. She graduated from Harvard University in 1995 with a PhD in Economics, was an Assistant Professor at the University of Maryland between 1995 and 1998, and a Visiting Professor at Stanford in 2009/10. She has been a visiting scholar at the Massachusetts Institute of Technology and at Resources for the Future. In 2010 Suzi was awarded the NZIER Economics Award for her work in environmental regulation. Suzi's research empirically and theoretically investigates domestic and international environmental markets with special emphasis on climate change regulation, greenhouse gas emissions, and carbon sequestration related to land use in New Zealand and the tropics. Her recent work has applied these tools to the problem of water quality in Lake Rotorua and the design of the New Zealand Emissions Trading System.



Arthur Grimes *Senior Fellow*

Arthur has a BSocSc (Hons) from University of Waikato, and a PhD in Economics at the London School of Economics in 1987. Before joining Motu, Arthur was Director of the Institute of Policy Studies, Victoria University of Wellington, and had prominent roles at the Reserve Bank of New Zealand and National Bank of New Zealand. He has published papers on macroeconomics, banking and finance, housing and infrastructure topics in international academic journals, and has authored or edited five books. In 2005, Arthur was awarded the NZIER Economics Award. He is currently Chair of the Board of the Reserve Bank, Chair of the Hugo Group, Chair of the Postal Network Access Committee, Associate Member of the Financial Markets Authority and Adjunct Professor of Economics at the University of Waikato.



Andrew Coleman *Senior Fellow*

Andrew began at Motu in February 2008, coming from a position as Senior Adviser at the Reserve Bank. He previously worked as an Assistant Professor of Economics at the University of Michigan, where he taught economic development and international finance. He has also worked at the New Zealand Treasury and the United Building Society. Andrew's work at Motu contributes to research programmes on emissions trading and climate change, transport and housing. Andrew has a PhD in Economics from Princeton University.



Steven Stillman *Senior Fellow, 2004–2011*

Steve received a PhD in Economics from the University of Washington in 2000 and is an affiliated research fellow at the Institute for the Study of Labor (IZA), the Centre for Research and Analysis of Migration (CReAM), the Melbourne Institute of Applied Economic and Social Research and the William Davidson Institute. Before joining Motu, Steve worked as a senior research economist at the New Zealand Department of Labour and was a postdoctoral fellow at the RAND Corporation. Steve's research focuses on empirical labour economics, specialising in the behaviour of individuals and households. At the end of 2010/11 Steve left Motu for a professorship at the University of Otago, but will remain a Motu Research Associate.



John Gibson *Senior Research Associate*

John is a professor in the Department of Economics, University of Waikato, where he teaches the microeconomics of development and econometrics. He was previously Professor and Chairperson of the Department of Economics at the University of Canterbury and in 2008 received the NZIER Economics Award. He has also taught in the Economics Department and Center for Development Economics at Williams College in the United States. John received his PhD from the Food Research Institute of Stanford University. His research focuses on poverty and the behaviour of households in low-income settings. His research also studies the effect that different data collection methods can have on measurement error in surveys of living standards.



Dean Hyslop *Senior Research Associate*

Dean Hyslop is Professor of Econometrics at Victoria University of Wellington and a Senior Research Associate at Motu. He has previously held positions at UCLA, the New Zealand Treasury, the Department of Labour and the Reserve Bank, and visiting research positions at UC Berkeley and the University of Melbourne. His distinctions include being the co-recipient of the Econometric Society's 2008 Frisch medal given biennially to an applied paper published in *Econometrica* in the previous 5 years. He did his undergraduate study in Mathematics and Economics at Victoria University of Wellington, and has a PhD from Princeton University. His research interests lie in labour economics and applied econometrics, and his current research is mainly focused on Statistics New Zealand's Linked Employer-Employee Database (LEED).

Research Analysts

Over 2010/11, Motu's research analysts were Simon Anastasiadis, Yun Liang, Hugh McDonald, Alex Olssen, Chris Young, and Wei Zhang. Levente Timar and Eina Wong also worked part-time at Motu as research economists.

Board of Trustees



Colin James *Outgoing Chair*
The Hugo Group
Managing Director
Colin will leave the board in September 2011.



Dr John Hay *Incoming Chair*
John, a former CEO of the Institute of Environmental Science and Research, retired in 2011. John takes over from Colin as chair in late 2011.



Leith Comer
Te Puni Kōkiri
Chief Executive



Philippa (Pip) Dunphy
Pip works as an independent director with a particular interest in finance and risk management.



Neil Green
Senate SHJ
Chief Executive Officer



Tom Lambie
Lincoln University
Chancellor and Environment Canterbury Commissioner



Professor Richie Poulton
University of Otago
Director, Multidisciplinary Health and Development Research Unit



Dean Stebbing
Ngāti Tūwharetoa
Dean passed away in 2011. He was a valued presence on Motu's board.



Dr Suzi Kerr
Motu
Suzi is the Senior Fellow representative on the Board. Arthur Grimes also represented the Senior Fellows on the board in 2010/11.



Howard Fancy
Motu
Director

International Advisory Committee



Denny Ellerman
Denny recently retired as a senior lecturer at the Massachusetts Institute of Technology.



Edward Glaeser
Harvard University
Professor of Economics



Stephen Jenkins
London School of Economics
Professor of Economic and Social Policy



Wallace (Wally) Oates
University of Maryland, College Park
Professor of Economics

Affiliates



Grant Scobie
New Zealand Treasury
Principal Advisor in Policy
Coordination and Development.



Deborah Cobb-Clark
Australian National University
Professor of Economics in the
Research School of Social Sciences.



Lew Evans
Victoria University of Wellington
Professor and Chair of Economics



Richard Fabling
Reserve Bank of New Zealand
Senior Adviser



Viv Hall
Victoria University of Wellington
Professor and Macarthy Chair of
Economics.



Sholeh Maani
University of Auckland
Associate Professor in Economics



Tim Maloney
University of Auckland
Associate Professor of Economics.



Philip McCann
University of Groningen
Professor of Economics



John McDermott
Reserve Bank of New Zealand
Head of Economics



Richard Newell
Duke University
Gendell Associate Professor
of Energy and Environmental
Economics.



Les Oxley
University of Canterbury
Professor in Economics and
Finance



Jacques Poot
University of Waikato
Professor of Population
Economics.



James Sanchirico
Resources for the Future
Professor in the Department of
Environmental Science and Policy;
University Fellow at Resources for
the Future.



Adolf Stroombergen
Infometrics
Chief Economist



Malathi Velamuri
Victoria University of Wellington
Lecturer in the School of
Economics and Finance



Research

Motu's success as an organisation is built on our ability to produce high-quality, topical economic and public policy research. We have a strong desire to prove the academic quality of our work through publication, including in international journals. The audience we most wish to impress are top international academics and New Zealand and international policy-makers and private sector leaders who are keen to understand and apply our results. We involve end-users at all stages of the research process to ensure our research is relevant and valuable.



Environmental Regulation

Motu's programme of environmental research focuses broadly on environmental markets and on the development and use of environmental models to inform public policy.

Climate Change

Suzi Kerr's work leading the Integrated Economics of Climate Change project, funded by the Ministry of Science and Innovation (MSI) and carried out by the EcoClimate collaboration, combines practical policy design with longer-term integrated model development. In 2010/11 the project's emphasis has been on design and simulation of emissions trading for agriculture, simulation and early evaluation of the ETS in forestry, and on the allocation of New Zealand Units in the ETS, as well as some work on the effects of climate change in the agricultural and electricity sectors.

Motu is in the second year of the Coordination and Cooperation for Effective Climate Policy Design and Implementation project, funded by the Ministry of Agriculture and Forestry to provide empirical evidence and a clear conceptual framework to encourage cooperation, enabling the ETS to be applied effectively in agriculture, and to facilitate the coordination required for the rapid uptake of new adaptation and mitigation technology. Andrew Coleman is leading this research, and this year has undertaken research on the design of carbon markets and the ability of New Zealand farmers to selectively target high-value international markets. Also as part of this project, this year Levente Timar has worked on modelling the effects of the ETS on landowners.

Agricultural Emissions Dialogue Group

As part of the Coordination and Cooperation for Effective Climate Policy Design and Implementation project, Motu founded a dialogue group on how to efficiently control agricultural emissions in the medium term. The group, which is made up of farmers, tangata whenua, and representatives from farm industry groups, NGOs, and the government, and will be informed by a wide range of climate change experts from many different institutions, met three times in 2010/11, including a highly successful two-day retreat at Karekare (near Auckland) in mid-2011.

Land Use

Motu's Land Use in Rural New Zealand (LURNZ) modelling effort, designed to assess the impact of policies intended to alter land use decisions in rural areas, was in early 2011 released to researchers in a beta version. Current work on the project is on improving methodologies to predict land use change and to simulate land use change spatially. Motu has also improved ways to project greenhouse gas emissions from the forestry sector. There is also a strong focus on enhancing LURNZ's robustness, enriching its results and making it more user friendly through a better graphical user interface.

Nutrient Trading and Water Quality

Markets and Water Quality is an MSI-funded joint project with NIWA, GNS and others in which researchers design and simulate different nutrient regulatory approaches for the Lake Rotorua catchment and work with a group of local stakeholders to develop practical policy. Suzi Kerr leads this research, which was in its fourth year in 2010/11. The project combines economics, law, hydrology, and other disciplines in an attempt to explore regulatory design problems from all angles. Work on the project this year has involved a theoretical and literature-based exploration of how administration, trading and mitigation costs can be jointly minimised and an assessment of the current state of knowledge on the costs of on-farm nitrogen mitigation options (which began with a workshop in early

May). It has also involved further development of NManager, a simulation model of how different land management and use policies that achieve the same effects on water quality, including but not limited to nutrient trading, vary in cost.

Deforestation

Motu's current work on tropical deforestation focuses on the design of international policy for Reducing Emissions from Deforestation and Degradation (REDD). This year it has particularly focused on the problems that arise when agreements are voluntary and participants self-select. This builds on earlier work on deforestation, carbon sequestration, carbon reference levels, and deforestation policy in Costa Rica.

Publications

Working Papers and Reports

Baisden, Troy, Levente Timar, E.D. Keller, Duncan Smeaton, A. Clark, David Austin, William Power and Wei Zhang. 2010. "New Zealand's Pasture Production in 2020 and 2050," *GNS Science Consultancy Report* 2010/154, GNS Science, Wellington.

Coleman, Andrew, and Suzi Kerr. 2011. "Managing Risks in Emissions Trading Markets," *Motu Research Update* 20, pp. 1–2.

Coleman, Andrew. 2011. "Financial Contracts and the Management of Carbon Emissions in Small Scale Plantation Forests," *Motu Working Paper* 11-04, Motu Economic and Public Policy Research, Wellington.

Evans, Lew, Graeme Guthrie and Andrea Lu. 2010. "A New Zealand Electricity Market Model: Assessment of the Effect of Climate Change on Electricity Production and Consumption," *Motu Working Paper* 10-09, Motu Economic and Public Policy Research, Wellington.

Karpas, Eric, and Suzi Kerr. 2011. "Preliminary Evidence on Responses to the New Zealand Forestry Emissions Trading Scheme," *Motu Working Paper* 11-09, Motu Economic and Public Policy Research, Wellington.

Kerr, Suzi, and Hugh McDonald. 2010. "Maximising the Benefits of Flexible Water Quality Regulation," *Motu Research Update* 20, pp. 4–5.

Kerr, Suzi. 2011. "Submission to the Emissions Trading System Review Panel," comments on the Emissions Trading System Review.

Salmon, Guy. 2010. "At the Interface of Research and Implementation: An Assessment of the Work of the Nutrient Trading Study Group (NTSG)," *Report to Motu Economic and Public Policy Research*, Motu Economic and Public Policy Research, Wellington.

Stroombergen, Adolf. 2010. "The International Effects of Climate Change on Agricultural Commodity Prices, and the Wider Effects on New Zealand," *Motu Working Paper* 10-14, Motu Economic and Public Policy Research, Wellington.

van Benthem, Arthur A., and Kerr, Suzi C. 2011. "Bigger is Better: Avoided Deforestation Offsets in the Face of Adverse Selection," *PESD Working Paper* #102, Program on Energy and Sustainable Development, Stanford University, Stanford CA.

van Benthem, Arthur and Suzi Kerr. 2010. "Optimizing Voluntary Deforestation Policy in the Face of Adverse Selection and Costly Transfers," *Motu Working Paper* 10-04, Motu Economic and Public Policy Research, Wellington.

Presentations

Anastasiadis, Simon. 2011. "Water Quality Management in Lake Rotorua: A Comparison of Regulatory Approaches using the NManager Model," New Zealand Association of Economists Annual Conference, Wellington, 29 June–1 July 2011.

Kerr, Suzi, Levente Timar and Wei Zhang. 2010. "Emissions Trading for Forestry and Agriculture: Policy Design and Integrated Simulations in New Zealand," poster at the Analysis, Integration and Modelling of Earth Systems Open Science Conference, Edinburgh, UK.

Kerr, Suzi, Wei Zhang and William Power. 2010. "Short Term Effects of Moderate Carbon Prices on Land Use in the New Zealand Emissions Trading System: LURNZ-Climate Land Use Change Simulations," New Zealand Agricultural and Resource Economics Society Conference, Nelson, 26–7 August 2010.

Kerr, Suzi, and Suzie Greenhalgh. 2011. "Non-Point Source Trading in New Zealand," Australian Agricultural and Resource Economics Conference, Melbourne, 8–11 February 2011.

- Kerr, Suzi. 2010. "Managing Water Quality in Lake Rotorua," presentation to the Nutrient Trading Study Group, Bay of Plenty Regional Council and Ministry for the Environment, October–November 2010.
- Kerr, Suzi. 2010. "The Complementarity between Equity and Efficiency in Climate Mitigation," New Zealand Agricultural and Resource Economics Society Annual Conference, Nelson, 27–8 August 2010.
- Kerr, Suzi. 2010. "Emissions Trading for Forestry and Agriculture: Integrated Simulations," New Zealand Agricultural and Resource Economics Society Annual Conference, Nelson, 27–8 August 2010.
- Kerr, Suzi. 2010. "New Zealand Emissions Trading: Some Thoughts for Brazil," Cap and Trade in Brazil Workshop, Environmental Defense, IPAM, and Brazilian Foundation for Sustainable Development, Rio de Janeiro, 2 August 2010.
- Kerr, Suzi. 2010. "Bigger is Better: Avoided Deforestation Offsets in the Face of Adverse Selection," Stanford Environmental Economics Brownbag Seminar, Stanford University, Stanford CA, November 2010.
- Kerr, Suzi. 2011. "The Economics of International Policy to Reduce Emissions from Deforestation and Degradation (REDD)," New Zealand Association of Economists Annual Conference, Wellington, 29 June–1 July 2011.
- Kerr, Suzi. 2011. "Optimal Policy Complexity with Temporal Externalities," Stanford Environmental Economics and UC Davis Brownbag Seminar, Stanford CA, April 2011.
- Kerr, Suzi. 2011. "Teach-in on Using Games to Understand Water Quality Trading," Center for Ocean Solutions, Environmental and Natural Resources Law and Policy Programme, Stanford University, Stanford CA, 4 April 2011.
- Kerr, Suzi. 2011. "Bigger is Better: Avoided Deforestation Offsets in the Face of Adverse Selection," Australian Agricultural and Resource Economics Conference, Melbourne, 8–11 February 2011.
- McDonald, Hugh, and Suzi Kerr. 2011. "Nutrient Trading Efficiency: A Review of Trading Efficiency in Water Quality Markets," New Zealand Association of Economists Annual Conference, Wellington, 29 June–1 July 2011.
- Timar, Levente. 2011. "Māori Land and Rural Land Use in New Zealand," New Zealand Association of Economists Annual Conference, Wellington, 29 June–1 July 2011.
- Timar, Levente. 2011. "Modelling Rural Land Use in New Zealand: A Discrete Choice Perspective," Australian Agricultural and Resource Economics Society Conference, Melbourne, 8–11 February 2011.

Macroeconomics, Monetary Economics and Economic Performance

Motu carries out macroeconomic, monetary economics and economic performance research in a range of areas. In 2010/11, this programme focused on superannuation schemes, taxation and price discounting.

Savings policy was a major focus for Andrew Coleman this year. He participated in the Savings Working Group and was one of the authors of the Saving Working Group report delivered to the government in January 2011. Following this he published a series of Motu Notes on superannuation and key concepts in savings policy.

Andrew completed two pieces of work investigating the relationship between exchange rates and interest rates. With Özer Karagedikli of the Reserve Bank of New Zealand, he examined how financial surprises jointly affect exchange rates and interest rates in New Zealand, showing the exchange rate is excessively responsive to the inflation rate. He also developed a different method of estimating the uncovered interest parity relationship between exchange rates and interest rates that differentiates between occasions when speculators lend rather than borrow a particular currency, applying the technique to data from the gold standard era during the late nineteenth century.

Andrew also worked with Manu de Veirman, also of the Reserve Bank, to research the extent to which temporary discounts have permanent effects on the price level and the inflation rate in New Zealand, using an especially constructed Statistics New Zealand database.

Publications

Refereed Journal Articles

Coleman, Andrew. 2010. "The Long Term Impact of Capital Gains Taxes in New Zealand," *New Zealand Economic Papers*, 44:2, pp. 159-77.

Book Chapters, Working Papers and Reports

Coleman, Andrew and Hugh McDonald. 2010. "No Country for Old Men: A Note on the Trans-Tasman Income Divide," *Motu Working Paper* 10-08, Motu Economic and Public Policy Research, Wellington.

Coleman, Andrew. 2011. "Behavioural Economics: Implications for the Savings Literature," *Motu Note* #7, Motu Economic and Public Policy Research, Wellington.

Coleman, Andrew. 2011. "Mandatory Retirement Income Schemes, Saving Incentives, and KiwiSaver," *Motu Note* #6, Motu Economic and Public Policy Research, Wellington.

Coleman, Andrew. 2011. "PAYGO v SAYGO: Prefunding Government-Provided Pensions," *Motu Note* #8, Motu Economic and Public Policy Research, Wellington.

Coleman, Andrew. 2011. "Saving New Zealand: Pay-As-You-Go versus Save-As-You-Go Superannuation Schemes," *Motu Research Update* 20, p. 8.

Fabling, Richard. 2011. "Keeping it Together: Tracking Firms in New Zealand's Longitudinal Business Database," *Motu Working Paper* 11-01, Motu Economic and Public Policy Research, Wellington.

Le, Trinh, John Gibson and Steven Stillman. 2010. "Household Wealth and Saving in New Zealand: Evidence from the Longitudinal Survey of Family, Income and Employment," *Motu Working Paper* 10-06, Motu Economic and Public Policy Research, Wellington.

Presentations

Coleman, Andrew. 2011. "Price Discounting in New Zealand," New Zealand Association of Economists Annual Conference, Wellington, 29 June–1 July 2011.

McDonald, Hugh, 2011. "No Country for Old Men: Trans-Tasman Income Patterns, 1981-2009," New Zealand Association of Economists Annual Conference, Wellington, 29 June–1 July 2011.

Olssen, Alex. 2011. "The Short Run Effect of Age Based Youth Minimum Wages in Australia: A Regression Discontinuity Approach," New Zealand Association of Economists Annual Conference, Wellington, 29 June–1 July 2011.





Housing

Motu's 2010/11 research on housing has seen the completion of a three-year Marsden-funded programme on homeownership, as well as continued work into housing and rental markets.

Homeownership

A three-year Marsden grant for Motu's programme on homeownership, led by Arthur Grimes and Steve Stillman, was completed in March 2011. Completed studies under the grant have covered determinants of homeownership (including tax and price considerations), the impacts of homeownership on population mobility following an economic shock, the impacts of state house sales on community outcomes, and the impact of homeownership on social capital. Work in the programme also includes analyses of the reliability of New Zealand census data on homeownership and state housing tenure, the impacts of homeownership on voting participation in school boards of trustees elections and on broader electoral participation, and the impacts of homeownership on personal wellbeing (drawing on data from the Household, Income Labour Dynamics in Australia survey (HILDA)) and on health outcomes (drawing on Chinese health survey data).

Housing Policies

Arthur Grimes is leading a collaborative research effort to evaluate the effectiveness of the New Zealand Insulation Fund in improving household health outcomes and in reducing household energy usage. The project involves Motu, the University of Otago Wellington School of Medicine, Covec, and Victoria University of Wellington. Health data are provided by the Ministry of Health, and energy data have been provided by four of the five major energy companies. The 18-month project is due for completion in late 2011.

Housing and Taxation

Andrew Coleman developed a model to investigate the way a capital gains tax can correct distortions induced in the housing market by income taxes in circumstances in which capital gains occur because of inflation, real income growth, or population growth.

Publications

Refereed Journal Articles

Grimes, Arthur and Andrew Aitken. 2010. "Housing Supply, Land Costs and Price Adjustment," *Real Estate Economics* 38:2, pp. 325–53.

Book Chapters, Working Papers and Reports

Bergstrom, Katy, Arthur Grimes and Steven Stillman. 2011. "Does Selling State Silver Generate Private Gold? Determinants and Impacts of State House Sales and Acquisitions in New Zealand," *Motu Working Paper* 11-03, Motu Economic and Public Policy Research, Wellington.

Grimes, Arthur and Chris Young. 2010. "A Simple Repeat Sales House Price Index: Comparative Properties Under Alternative Data Generation Processes," *Motu Working Paper* 10-10, Motu Economic and Public Policy Research, Wellington.

Grimes, Arthur, Mark Holmes and Nicholas Tarrant. 2010. "New Zealand Housing Markets: Just a Bit-Player in the A-League?" *Motu Working Paper* 10-07, Motu Economic and Public Policy Research, Wellington.

Grimes, Arthur, Steven Stillman, Hugh McDonald and Alex Olssen. 2010. "A State Housing Database: 1993-2009", *Motu Working Paper* 10-13, Motu Economic and Public Policy Research, Wellington.

Roskrige, Matthew, Arthur Grimes, Philip McCann and Jacques Poot. 2011. "Homeownership and Social Capital in New Zealand." *Motu Working Paper* 11-02, Motu Economic and Public Policy Research, Wellington.

Presentations

Grimes, Arthur. 2011. "Warming Up New Zealand: Impacts of the New Zealand Insulation Fund on Household Energy Use," New Zealand Association of Economists Annual Conference, Wellington, 29 June–1 July.



Economic Geography

Arthur Grimes continued to lead the infrastructure programme. 2010/11 saw the completion of a four-year grant from the then-Foundation for Research, Science and Technology (FRST) on infrastructure, and an additional research grant was received from the New Zealand Centre for Advanced Engineering (CAENZ). David Maré and Andrew Coleman completed work under a grant from the Auckland Policy Office within our cities and agglomeration programme.

Infrastructure

Arthur Grimes leads Motu's programme on the impacts of infrastructure. In July 2010 work on a four-year FRST grant, "Physical, Technical and Social Infrastructure: Maximising Contributions of Infrastructure Investments to New Zealand's Economic Development", concluded with a workshop jointly hosted with Victoria University of Wellington's Institute of Policy Studies. A range of papers, including contributions from Arthur and Andrew Coleman, was delivered to this conference and published in the IPS's *Policy Quarterly*, vol. 6(3). Andrew's contribution was also published as Motu Note #4.

Over 2010/11 Motu's infrastructure programme produced work on the impacts of port infrastructure on exporting firms, importance of infrastructure and governance in Auckland, strategic issues in transport investment, impacts of passenger rail investments in Auckland, and the role of social capital in community outcomes. The programme continues with conceptual work on the role of real options considerations for major transport projects.

Cities and Agglomeration

Motu's work on cities and agglomeration examines how cities function within New Zealand, with a particular focus on Auckland as New Zealand's largest city. This year David Maré and Andrew Coleman completed a major series of papers on what determines the location decisions of firms and people across Auckland. This work was funded by a grant from the Auckland Policy Office, "Determinants of Firm and Population Location in Auckland", and provided hedonic estimates of the ways firms and people value different local amenities, as well as estimating the impacts of local amenities on firm productivity. Dave continues related work with Jacques Poot (University of Waikato) and former Motu intern Ruth Pinkerton examining the residential location patterns of immigrants in Auckland.

Following their work for the Auckland Policy Office, Andrew and Dave began to develop a theoretical model to analyse how the demand to use natural amenities, such as beaches, and constructed amenities, such as swimming pools, affects prices and location patterns in cities. Arthur was also funded by the Auckland Policy Office to prepare an analysis of Auckland's performance with regard to shares of high-skilled, knowledge-intensive industries compared to other cities in New Zealand, Australia and New Zealand.

Publications

Refereed Journal Articles

Coleman, Andrew. 2010. "Transport Infrastructure, Lock-Out and Urban Form: Highway Development in Auckland and the United States," *Policy Quarterly*, 6:4, pp. 23–7.

Grimes, Arthur. 2010. "Infrastructure: New Findings for New Zealand," *Policy Quarterly*, 6:4, pp. 3–8.

Grimes, Arthur. 2010. "Planning New Infrastructure: Some Issues," *Policy Quarterly*, 6:4, pp. 9–13.

Grimes, Arthur, and Yun Liang. 2010. "Spatial Determinants of Land Prices: Does Auckland's Metropolitan Urban Limit Have an Effect?," *Applied Spatial Analysis and Policy*, 2:1, pp. 23–45.

Howell, Bronwyn, and Arthur Grimes. 2010. "Productivity Questions for Public Sector Fast Fibre Network Financiers," *Communications and Strategies*, 78:2, pp. 127–145.

Book Chapters, Working Papers and Reports

Cochrane, William, Arthur Grimes, Philip McCann and Jacques Poot. 2010. "The Spatial Impact of Local Infrastructural Investment in New Zealand," *Motu Working Paper* 10-12, Motu Economic and Public Policy Research, Wellington.

Coleman, Andrew. 2010. "Transport Infrastructure, Lock-Out, and Urban Form: Highway Development in Auckland and the United States," *Motu Note* #4, Motu Economic and Public Policy Research, Wellington.

Fabling, Richard, Arthur Grimes and Lynda Sanderson. 2011. "Any Port in a Storm? The Impact of New Port Infrastructure on New Zealand Exporter Behaviour," *Reserve Bank of New Zealand Discussion Paper* DP2011/01, Reserve Bank of New Zealand, Wellington.

Grimes, Arthur and Chris Young. 2010. "Anticipatory Effects of Rail Upgrades," *Motu Research Update* 19, p. 8.

Grimes, Arthur, Jason Le Vaillaint and Philip McCann. 2011. "Auckland's Knowledge Economy: Australasian and European Comparisons," *MED Occasional Paper* 11/02, Ministry of Economic Development, Wellington.

Grimes, Arthur. 2010. "The Economics of Infrastructure Investment: Beyond Simple Cost Benefit Analysis," *Motu Working Paper* 10-05, Motu Economic and Public Policy Research, Wellington.

Grimes, Arthur. 2011. "Looking Forward after the Quake," *Motu Research Update* 20, pp. 4–5.

Grimes, Arthur. 2011. "Making Multiple Places into a Place: Infrastructure Governance and Planning in Auckland," in *Investing in Better Places: International Perspectives*, Sharon Chisholm, Ed. London: The Smith Institute, pp. 69–78.

Grimes, Arthur. 2011. "Strategic Transport Choices," *Motu Note* #5, Motu Economic and Public Policy Research, Wellington.

Maré, David C., and Andrew Coleman. 2011. "Estimating the Determinants of Population Location in Auckland," *Motu Working Paper* 11-07, Motu Economic and Public Policy Research, Wellington.

Maré, David C., and Andrew Coleman. 2011. "Patterns of Business Location in Auckland," *Motu Working Paper* 11-08, Motu Economic and Public Policy Research, Wellington.

Maré, David C. and Daniel J. Graham. 2010. "Agglomeration Elasticities and Firm Heterogeneity," *SERC Discussion Paper* 43, London School of Economics, London.

Maré, David C., and Richard Fabling. 2011. "Productivity and Local Workforce Composition," *Motu Working Paper* 11-10, Motu Economic and Public Policy Research, Wellington.

Maré, David C., Andrew Coleman and Ruth Pinkerton. 2011. "Patterns of Population Location in Auckland," *Motu Working Paper* 11-06, Motu Economic and Public Policy Research, Wellington.

Presentations

Coleman, Andrew, and David C. Maré. 2011. "Preferences, Location Choices and the Residential Composition of Cities," New Zealand Association of Economists Annual Conference, Wellington, 29 June–1 July 2011.

Coleman, Andrew. 2010. "Transport Infrastructure, 'Lock-Out' and Urban Form," IPS/Motu Infrastructure Workshop, Wellington, July 2011.

Grimes, Arthur. 2010. "Motu FRST Infrastructure Programme: Key Findings & New Questions," IPS/Motu Infrastructure Workshop, Wellington, July 2011.

Maré, David C., and Andrew Coleman. 2011. "The Determinants of Firm Location in Auckland," New Zealand Association of Economists Annual Conference, Wellington, 29 June–1 July 2011.

Roskrige, Matthew, Arthur Grimes, Philip McCann and Jacques Poot. 2011. "Immigrant Integration and Social Capital Formation," New Zealand Association of Economists Annual Conference, Wellington, 29 June–1 July 2011.



Labour and Population Economics

In 2010/11, Motu's labour and population economics research programme has had taken a broad focus. Various grants from the Marsden Fund, the Official Statistics Research Fund, and the Health Research Council New Zealand have all funded Motu's research on migration, labour dynamics and firm performance, consumption, economic shocks, and health and crime, while research has also been contracted to the Department of Labour, Statistics New Zealand, and the Department of Corrections.

Migration

Migration remained a major focus in 2010/11, with a number of projects led by Steve Stillman. This included work funded by a Marsden grant, "Health and Wealth Effects of Migration", as well as one-off funding from the Department of Labour and University of Waikato.

One of these projects involved Steve working with Jacques Poot on looking at under- and over-skilling among migrants in New Zealand. They also used census data to examine migrant outcomes with the outcomes of New Zealand born, particularly looking at the role of language skills in the adjustment process.

Steve collaborated on a second project with John Gibson and David McKenzie (World Bank) on data from the Pacific Island-New Zealand Migrant Survey and the Samoa Labour Mobility Survey projects, with new work looking at blood pressure and stress levels in migrants compared to non-migrants, as well as the formation of migrant expectations about how well they will do in New Zealand.

A third project also involved Steve along with Malathi Velamuri, Mathias Sinning (Australia National University) and Deborah Cobb-Clark, focused on self-selection among international and trans-Tasman migrants. This work examines the ways in which return to human capital differ across the Tasman for similar migrants.

Motu intern Juliette Grangier worked with the Department of Labour on outcomes for migrants under New Zealand's skilled migrants category.

Firm Performance and Labour Dynamics

Dave Maré and Dean Hyslop examined the link between firm productivity and the skill composition of firms' workforces. This work used Statistics New Zealand's Linked Employer-Employee Database, and is part of the Department of Labour-led LEED Research Programme.

Dave also worked with Richard Fabling to look at the link between workforce composition, including the presence of migrants, and firm productivity. This extends previous work by Dave, Steve Stillman and Richard on links between workforce composition and innovation. Funding assistance has been received from the Department of Labour. Dave and Richard are currently documenting the methods that they have developed for estimating firm productivity using data from Statistics New Zealand's prototype Longitudinal Business Database (LBD).

Consumption

Steve Stillman, Dave Maré, Trinh Le (Melbourne Institute), Dean Hyslop, John Gibson, and Grant Scobie collaborated on a project funded by the Statistics New Zealand Official Statistics Research Programme, investigating the relationship between household income and expenditure using data from the Household Economic Survey. By using expenditure data to supplement income information, this analysis will provide new information on the level of, and changes over time in, poverty and inequality in New Zealand.

Economic Shocks

In a just-completed Marsden-funded programme on the impact of economic shocks, Steve Stillman, Dave Maré, and John Gibson used data from Statistics New Zealand's longitudinal Survey of Family, Income and Employment (SoFIE) and the HILDA survey to examine various questions around economic shocks. With Trinh Le and Eina Wong they also looked at the prevalence of economic shocks in both New Zealand and Australia, and Steve, Arthur and former Motu intern Michelle Poland examined the relationship between house price inflation, savings in other assets, and labour supply decision. Steve and Michelle used SoFIE to examine changes in saving overtime.

Health and Crime

Steve Stillman and Jackie Cumming continued their work evaluating the impacts of the Primary Health Care Strategy (PHCS) on the fees patients pay when they visit the GP, access to and utilisation of primary health care services, use of secondary care services, and health status. Current research examines the extent to which the PHCS altered the fees that different individuals pay for health services in New Zealand. Steve also worked with Malathi Velamuri on a project examining the impact of crime victimisation and incarceration on labour-market outcomes and other measures of wellbeing, using longitudinal data from HILDA.

Meanwhile, Dean Hyslop and Dave Maré worked with the Department of Corrections to refine the application of econometric evaluation methods in assessing the impacts of prisoner rehabilitation, education, and training programmes.

Publications

Refereed Journal Articles

Cumming, Jackie, Steven Stillman, Yun Liang, Michelle Poland and Grant Hannis. 2010. "The Determinants of GP Visits in New Zealand," *Australian and New Zealand Journal of Public Health*, 34:5, pp. 451–7.

Gibson, John, David McKenzie, Halahingano Rohorua and Steven Stillman. 2010. "Information Flows and Migration: Recent Survey Evidence from the South Pacific," *Asian and Pacific Migration Journal, Special Issue: Labour Circulation and Acceptance: New Zealand and its Neighbours*, 19:3, pp. 401–20.

Gibson, John, David McKenzie and Steven Stillman. 2011. "What Happens to Diet and Child Health when Migration Splits Households? Evidence from a Migration Lottery Program," *Food Policy Special Issue: Migration and Food Security*, 36:1, pp. 7–12.

Hyslop, Dean and David C. Maré. 2010. "The Annual Employment Mix of Workers and Firms, and the Part-Time Earnings Gap in New Zealand," *Australian Journal of Labour Economics*, 13:3, pp. 331–52

McKenzie, David, John Gibson and Steven Stillman. 2010. "How Important is Selection? Experimental vs Non-Experimental Measures of the Income Gains from Migration," *Journal of the European Economic Association*, 8:4, pp. 913–45

Stillman, Steven, Malathi Velamuri and Andrew Aitken. 2010. "The Long-Run Impact of New Zealand's Structural Reform on Local Communities," *Journal of Comparative Economics*, 38:4, pp. 432–448.

Book Chapters, Working Papers and Reports

Coleman, Andrew and Hugh McDonald. 2010. "No Country for Old Men: A Note on the Trans-Tasman Income Divide," *Motu Working Paper 10-08*, Motu Economic and Public Policy Research, Wellington.

Gibson, John, Steven Stillman and David McKenzie. 2010. "Natural Experiment Evidence on the Effect of Migration on Blood Pressure and Hypertension," *BREAD Working Paper 284*, Bureau for Research and Economic Analysis of Development, Duke University, Durham, NC.

Le, Trinh, John Gibson and Steven Stillman. 2010. "Household Wealth and Saving in New Zealand: Evidence from the Longitudinal Survey of Family, Income and Employment," *Motu Working Paper 10-06*, Motu Economic and Public Policy Research, Wellington.

Maré, David C. and Richard Fabling. 2011. "Productivity and Local Workforce Composition," *Motu Working Paper 11-10*, Motu Economic and Public Policy Research, Wellington.

- Maré, David C., and Andrew Coleman. 2011. "Estimating the Determinants of Population Location in Auckland," *Motu Working Paper* 11-07, Motu Economic and Public Policy Research, Wellington.
- Maré, David C., and Andrew Coleman. 2011. "Patterns of Business Location in Auckland," *Motu Working Paper* 11-08, Motu Economic and Public Policy Research, Wellington.
- Maré, David C., Andrew Coleman and Ruth Pinkerton. 2011. "Patterns of Population Location in Auckland," *Motu Working Paper* 11-06, Motu Economic and Public Policy Research, Wellington.
- Maré, David C., Richard Fabling and Steven Stillman. 2011. "Immigration and Innovation," *Motu Working Paper* 11-05, Motu Economic and Public Policy Research, Wellington.
- Maré, David C., Richard Fabling and Steven Stillman. 2011. "The Impact of Immigration and Local Workforce Characteristics on Innovation," *Economic Impacts of Immigration Working Paper*, New Zealand Department of Labour, Wellington.
- Poot, Jacques, and Steven Stillman. 2010. "The Importance of Heterogeneity when Examining Immigrant Education-Occupation Mismatch: Evidence from New Zealand," *CREAM Discussion Paper* 23/10, Centre for Research and Analysis of Migration, London.
- Stillman, Steven, and Malathi Velamuri. 2010. "Immigrant Selection and the Returns on Human Capital in New Zealand and Australia," *Motu Research Update* 19, pp. 1–2.
- Stillman, Steven, and Malathi Velamuri. 2010. "Immigrant Selection and the Returns on Human Capital in New Zealand and Australia," *IMSED Research Report*, Department of Labour, Wellington.

Presentations

- Grangier, Juliette, and Rob Hodgson. 2011. "Does the SMC Predict the Labour Market Outcomes of Skilled Migrants?" New Zealand Association of Economists Annual Conference, Wellington, 29 June–1 July 2011.
- McDonald, Hugh, and Andrew Coleman. 2011. "No Country for Old Men: Trans-Tasman Income Patterns, 1981-2009," New Zealand Association of Economists Annual Conference, Wellington, 29 June–1 July 2011.
- Olssen, Alex. 2011. "The Short-Run Effects of Age Based Youth Minimum Wages in Australia: A Regression Discontinuity Approach," New Zealand Association of Economists Annual Conference, Wellington, 29 June–1 July 2011.
- Stillman, Steven. 2011. "Age at Migration and Educational Achievement Across the OECD: Insights from PISA," Insights on Immigration and Development Workshop, Barcelona, 27–8 June 2011.
- Stillman, Steven. 2011. "Natural Experiment Evidence on the Effect of Migration on Blood Pressure and Hypertension," Society of Labor Economists Annual Conference, Vancouver, 29–30 April 2011.
- Stillman, Steven. 2011. "Miserable Migrants? Natural Experiment Evidence on International Migration and Subjective Well-Being," Engelberg Labor Economics Workshop, University of Zurich, Engelberg, Switzerland, 12–14 January 2011.
- Stillman, Steven. 2010. "Immigration and Innovation," Australian and International Perspectives on the Economics of Immigration, University of Melbourne and Melbourne Institute, Melbourne, Australia, 19 November 2010.
- Stillman, Steven. 2010. "Miserable Migrants? Natural Experiment Evidence on International Migration and Subjective Well-Being," Australasian Labour Econometrics Workshop, Melbourne, Australia, 13–4 August 2010.

Motu Foundation

The Motu Research and Education Foundation is a related, but separate entity to the Motu Economic and Public Policy Research Trust. It was set up in 2006 to further Motu's objective of contributing to public knowledge and debate on a range of topical policy issues. To do this, the Foundation works alongside a range of organisations, particularly the Motu Economic and Public Policy Research Trust, with financial support from patrons and donors.

The Motu Foundation

Established under its own Trust Deed in September 2006, the Motu Research and Education Foundation is a separate entity to Motu Economic and Public Policy Research. The Foundation's Trust Deed provides it with a broad mandate to help support economic research of international quality and to build strong economic capability within New Zealand.

High quality public policy is critical to the future development of New Zealand. Good public policy needs to be well informed by high quality and independent research. The Foundation's focus on building applied economic research capability will help ensure public policy decisions are well informed by thorough and non-partisan research.

In an environment dominated by universities and Crown Research Institutes, funding for small research institutes such as Motu Economic and Public Policy Research is often hard to come by. The Motu Foundation has adopted as its primary aim a focus on building applied economic research capability in New Zealand. Such capability provides a stronger and sustainable platform for better public policy decision making over time.

The Foundation collaborates particularly with Motu Economic and Public Policy Research, to build capability through free dissemination of research, providing internships and scholarships for young economists, providing grants for research leadership and collaboration, and providing seed funding for new research ventures.

The Motu Foundation is dependent on the support of Patrons and Donors for its funding and thanks them for their generosity and support.

Priorities and Activities

To meet the objectives of the Foundation's Trust Deed, the Foundation focuses on building research capability, and to enable this, building the financial base of the Foundation through increasing Patron numbers.

Our spending has provided grants through Motu Research to support its research leadership, to build economic research capability and to support the dissemination of high quality and applied economic research. In doing this, the Foundation is also contributing to the Motu Economic and Public Policy Research Trust become a centre of economic research excellence.

Our financial strength continues to grow and with this our ability to make a difference. Since the Foundation was established our Investment Fund has increased its equity to \$403,086. Last year we made grants of just under \$27,000, and invested \$75,607 into our investment fund.

In the 2010/11 year we have made grants in relation to the following priorities:

1. Building research leadership and economic research capability

To support the growth of a world-class economic research capability in New Zealand, in 2010/11 the Foundation gave a \$10,000 grant to Motu Research to support them to employ two top under graduate students to undertake summer internships. These interns were supervised by Drs Arthur Grimes and Steven Stillman at Motu Research and worked on various aspects of New Zealand state housing data.

We also gave a \$10,000 grant to a top Māori scholar to complete a Masters in Public Policy at the Harvard Kennedy School in Massachusetts. Every year we make available through Motu Research the offer of a scholarship to a promising student of Māori descent planning work on an Honours or Masters thesis. Through this scholarship, we hope to enhance Māori research capacity and encourage students of Māori descent to develop an interest in researching topics relevant to public policy development. The 2010/11 recipient is Dan Bidois (Tainui, Ngāti Maniapoto, Te Kauae), who is studying for a Masters in Public Policy at Harvard University in Cambridge, Massachusetts. Dan is a New Zealand Fulbright Scholar.

We also provided a grant to Motu Research to sponsor top academics to visit New Zealand or to support seminars involving New Zealand economic researchers. Our visitors during 2010/11 were Marta Tienda and Kate Choi of Princeton University, who came to collaborate with Motu researchers and give free public seminars. A part of this grant was also used to bolster Motu Research's successful internal seminar series aimed at increasing collaboration between affiliates and visiting academics with Motu and other local researchers.

2. Research dissemination

We ensure that existing knowledge, information and research about New Zealand public policy is readily accessible in New Zealand. This includes promoting the work of Motu Economic and Public Policy Research through various publication channels including the internet, conferences, seminars, workshops, dialogue groups, and teaching.

In the 2010/11 year we held two successful working lunches in Auckland. These provided opportunities for existing and potential patrons to hear about and discuss Motu's research and the aspirations and work of the Foundation. One of these lunches that focussed on the implications of Motu's research for Auckland generated lively discussion. We are very grateful to both Vodafone New Zealand and Porter Novelli New Zealand for their generous support for this event.

The Foundation will continue to support events and communication channels to ensure that public policy research is readily accessible to those individuals, organisations and groups who can make use of its findings.

3. Supporting high-quality research

We facilitate empirical and theoretical research into public policy issues of importance to New Zealand. We are able to provide some funding to support new research areas through seed funding. The Foundation does not envisage making significant investments in this area until it has built its capital base to above \$500,000.

In the last year, we provided a grant to Motu Research to support the preparation of a bid in the prestigious Marsden Grant fund, which was successful in being shortlisted.

Patrons and Donors

Our activities are funded through generous support from patrons, and occasional donations. Our patrons are the backbone of the Motu Research and Education Foundation. Their commitment provides an ongoing level of financial support that makes the Foundation's work possible.

The Foundation had ten patrons in 2010/11:

- Auckland Council
- Beca Group Limited
- Department of Building and Housing
- Department of Labour
- Fletcher Building Limited
- Mighty River Power Limited
- Ministry of Economic Development
- Ministry for the Environment
- Solid Energy New Zealand Limited
- Telecom New Zealand Limited

We also continue to benefit from a generous donation from the Tindall Foundation in the 2007/08 year.

Foundation Board of Trustees

The Motu Foundation is governed by a Board of Trustees, which consists of some of New Zealand’s most distinguished business people and academics.



Neil Green *Chair*
Senate SHJ
Chief Executive Officer



Colin James
The Hugo Group
Managing Director



Howard Fancy
Motu Director



Dr Roderick Carr
The University of Canterbury
Vice-Chancellor
Rod left the Foundation Board in early 2011. His contribution has been appreciated.



John Roberts
Veda Advantage New Zealand and International
Managing Director

Financial Information

Financial Information

The Motu Economic and Public Policy Research Trust's work is funded through research grants and sponsorship.

List of Grants

The following is a full list of grants and funding sources (of greater than \$30,000) active during the 2010/11 financial year:

Department of Labour, "Cyclical Labour Market Adjustment Research," 2011–2012, \$50,000.

Department of Labour, "Trans-Tasman Migration," 2009–2011, \$100,000.

Department of Labour, funded by Ministry of Research Science and Technology through the Contestable Departmental Research Pool, "LEED Research Programme," 2008–2009, \$82,875.

Health Research Council of New Zealand, "Improving Health System Performance: An Economic Analysis of Primary Health Care Reform," 2009–2012, GA209, \$522,000.

Ministry of Economic Development, "Evaluation of the New Zealand Insulation Fund," 2010–2011, \$108,000.

Auckland Policy Office, "Determinants of Firm and Population Location in Auckland," 2009–2010, \$195,000.

Auckland Policy Office, "Auckland Skills," 2010–2010, \$30,744.

New Zealand Centre for Advanced Engineering (CAENZ). "Economic Implications of Infrastructure Investment," 2009–2010, \$30,000.

New Zealand Foundation for Research, Science and Technology (FRST), "Physical, Technological and Social Infrastructure: Maximising Contributions of Infrastructure Investments to New Zealand's Economics Development," 2006–2010, \$1,600,000.

New Zealand Foundation for Research Science and Technology (FRST), "Integrated Research on the Economics of Climate Change Impacts, Adaptation and Mitigation," 2007 – 2011, \$1,687,500.

New Zealand Foundation for Research Science and Technology, "Markets and Water Quality: Integrated Assessment for Policy Design," 2007–2011, \$1,000,000.

New Zealand Foundation for Research, Science and Technology, Sustainable Land Management Mitigation and Adaptation to Climate Change (SLMACC), "Cooperation and Coordination," 2009–2012, \$750,000.

Official Statistics Research Fund, "Income, Expenditure and Living Standards in New Zealand," 2009–2010, \$89,190.

Parliamentary Commissioner for the Environment, "Nutrient Mapping Study," 2011, \$100,000.

Royal Society of New Zealand Marsden Fund, "Home Ownership and Neighbourhood Wellbeing," 2008–2011, \$600,000.

Royal Society of New Zealand Marsden Fund, "The Impact of Economic Shocks on the Wellbeing of New Zealanders," 2008–2011, \$60,000.

University of Auckland, "Improving Health Systems Performance: Enhancing Hospital Outcomes" 2008–2011, \$35,137.

Motu Economic and Public Policy Research Trust

Financial Reports for the Year Ended 30 June 2011

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Motu Economic and Public Policy Research Trust

Statement of Financial Performance for the Year Ended 30 June 2011

	Note	2011 \$	2010 \$
INCOME			
Research Grants		2,485,895	2,075,897
Interest Received		82,774	51,816
Other Income		8,811	9,524
Total Income		2,577,479	2,137,238
LESS EXPENSES			
Personnel		1,092,478	911,381
Research Project Costs		921,363	757,116
Dissemination Expenses		7,000	0
Audit Fees		10,237	8,850
Depreciation	6	46,449	77,629
Loss on Sale of Assets		5,187	0
Rent & Outgoings		85,000	85,000
Other Operating Expenses		175,283	156,320
Total Operating Expenses		2,342,997	1,996,296
NET SURPLUS		234,483	140,941
OTHER EXPENSES			
Senior Fellow Research Accounts	9	7,599	28,757
TOTAL EXPENSES		2,350,596	2,025,053
NET SURPLUS TRANSFERRED TO ACCUMULATED FUNDS		\$226,883	\$112,185

This statement is to be read in conjunction with the Notes to the Financial Statements

Motu Economic and Public Policy Research Trust

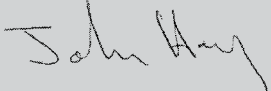
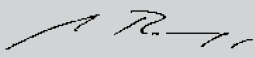
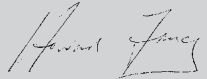
Statement of Movements In Equity for the Year Ended 30 June 2011

	2011 \$	2010 \$
Net Surplus	226,883	112,185
Total recognised revenues & expenses	226,883	112,185
EQUITY AT START OF YEAR	898,502	786,317
EQUITY AT END OF YEAR	\$1,125,385	\$898,502
SENIOR FELLOW RESEARCH RESERVE		
Opening Senior Fellow Research Reserve	47,753	50,560
Plus: Transfers to Reserve	82,500	25,950
Less: Movement Expensed	-7,599	-28,757
Closing Senior Fellow Research Reserve	\$122,654	\$47,753
ACCUMULATED FUNDS		
Opening Accumulated Funds	850,749	735,757
Net Surplus	226,883	112,185
Less: Movements to Reserve	-74,901	2,807
TOTAL ACCUMULATED FUNDS	\$1,002,731	\$850,749

This statement is to be read in conjunction with the Notes to the Financial Statements

Motu Economic and Public Policy Research Trust

Statement of Financial Position as at 30 June 2011

	Note	2011 \$	2010 \$
CURRENT ASSETS			
Cash	4	275,188	1,753,288
Investments	4	683,539	
Accounts Receivable		426,084	257,727
Work in Progress		9,774	101,636
Total Current Assets		1,394,584	2,112,651
CURRENT LIABILITIES			
Accounts Payable		243,266	241,579
Accrued Expenses		72,286	58,354
Income Received in Advance		1,005,263	1,016,349
Total Current Liabilities		1,320,816	1,316,282
WORKING CAPITAL		73,768	796,369
NON-CURRENT ASSETS			
Plant, Property & Equipment	5	71,617	102,134
Investments	4	980,000	
Total Non-Current Assets		1,051,617	102,134
NET ASSETS/(LIABILITIES)		\$1,125,385	\$898,503
Represented by;			
Accumulated Funds		1,002,731	850,750
Senior Fellow Research Reserve		122,654	47,753
EQUITY		\$1,125,385	\$898,503
On behalf of board:			
Chair:			
			
Chair of the Finance Subcommittee:			
			
Director:			
			
Date: 28 October 2011			

This statement is to be read in conjunction with the Notes to the Financial Statements

Motu Economic and Public Policy Research Trust

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2011

1. STATEMENT OF ACCOUNTING POLICIES

Motu Economic and Public Policy Research Trust is a charitable trust registered under the Charitable Trusts Act 1957. These financial statements have been prepared in accordance with the Financial Reporting Act 1993.

Measurement Base

The general accounting principles recommended by the New Zealand Institute of Chartered Accountants for the measurement and reporting of profits and the financial position on a historical cost basis have been followed.

Specific Accounting Policies

The following specific accounting policies which materially affect the measurement of financial performance and the financial position have been applied:

(a) Differential Reporting

Under Paragraph 4.23 of the Financial Reporting Act 1993, Motu Economic and Public Policy Research Trust qualifies for the differential reporting as it is not publicly accountable and it is small. Motu Economic and Public Policy Research Trust has taken advantage of all available differential reporting exemptions except GST, the statements are presented exclusive of GST.

(b) Revenue Recognition Policy

Income is recognised progressively as work is completed.

(c) Fixed Assets & Depreciation

The entity has the following classes of fixed assets:

Furniture & Fittings	11.4–48%
Office Equipment	40–60%

All fixed assets are recorded at cost less accumulated depreciation. Depreciation of the assets has been calculated using up to the maximum rates permitted by the Income Tax Act 2007.

(d) Foreign Currencies

Transactions denominated in foreign currencies are converted at the exchange rate prevailing at the transaction date. Foreign currency receivables and payables are converted at exchange rates prevailing at balance date. Foreign exchange gains and losses are included as income or expenses respectively and accounts payable which include GST as applicable.

(e) Goods & Services Tax

These financial statements have been prepared on a GST exclusive basis except for accounts receivable and accounts payable which include GST as applicable.

(f) Income Tax

Motu Economic and Public Policy Research Trust has charitable status and therefore has been granted an income tax exemption.

(g) Leased Assets

Operating Leases

Operating leases are those where all the risks and benefits are substantially retained by the lessor. Lease payments are expensed in the period the amounts are payable.

Motu Economic and Public Policy Research Trust

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2011

(h) Receivables

Receivables are stated at their estimated realisable value. Bad debts are written off in the year in which they are identified.

(i) Investments

Term deposits are classified as Investments where they have a maturity date greater than three months from acquisition. All term deposits are entered into with the intention of holding to maturity. Any term deposits with a maturity date greater than twelve months after balance date are therefore classified as non-current.

Changes in Accounting Policies

There has been one change in accounting policies. Previously all term deposits were classified as Cash and Bank. Now where a term deposit has a maturity of greater than three months this is classified as an investment. All other policies have been applied on bases consistent with those used in previous years.

2. AUDIT

These financial statements have been subject to audit, please refer to Auditor's Report.

3. CONTINGENT LIABILITIES

At balance date there are no known contingent liabilities (2010:\$0). Motu Economic and Public Policy Research Trust has not granted any securities in respect of liabilities payable by any other party whatsoever.

4. CASH AND TERM DEPOSIT INVESTMENTS

	2011	2010
	\$	\$
CASH		
National Bank – 00	35,325	161,210
National Bank – 025	239,720	558,895
National Bank – US\$	25	28
Petty Cash	118	281
Term Deposits		1,032,874
	<u>275,188</u>	<u>1,753,288</u>

TERM DEPOSIT INVESTMENTS

Westpac

<u>Investment Number</u>	<u>Maturity</u>	
#001	13/12/2011	150,000
#002	13/06/2012	150,000
#003	30/11/2012	125,000
#004	31/05/2013	125,000
#005	29/11/2013	120,000
#006	30/08/2013	120,000

	2011	2010
	\$	\$
<u>National Bank</u>		
<u>Investment Number</u>	<u>Maturity</u>	
#1007	0/09/2011	233,539
#1008	28/02/2012	150,000
#1009	31/08/2012	150,000
#1010	08/02/2013	125,000
#1011	28/02/2014	107,500
#1012	12/05/2014	107,500
		<u>1,663,539</u>
<u>Classified as:</u>		
Current		683,539
Non-Current		<u>980,000</u>
		1,663,539

**TOTAL CASH AND
TERM DEPOSIT INVESTMENTS** **\$1,938,727** **\$1,753,288**

The Trust has an overdraft limit of \$50,000 with ANZ National Bank Limited. The interest rate at balance date was 7.24%. This overdraft facility is secured by way of a term deposit held at ANZ National Bank.

5. FIXED ASSETS

	2011	2010
	\$	\$
Furniture & Fittings		
At cost	71,966	72,203
Less Accumulated Depreciation	<u>34,957</u>	<u>30,013</u>
	37,009	42,190
Office Equipment		
At cost	243,175	379,213
Less Accumulated Depreciation	<u>208,568</u>	<u>319,269</u>
	34,607	59,944
Total Fixed Assets	\$71,617	\$102,134

6. DEPRECIATION EXPENSE

	2011	2010
	\$	\$
Furniture & Fittings	6,234	7,332
Office Equipment	<u>40,215</u>	<u>70,297</u>
	\$46,449	\$77,629

Motu Economic and Public Policy Research Trust

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2011

7. OPERATING LEASE COMMITMENTS

	2011	2010
	\$	\$
Lease of premises at level 1, 97 Cuba Street, Wellington		
Within 1 Year	85,000	85,000
1–2 Years	85,000	85,000
2–5 Years	85,000	170,000
	\$255,000	\$340,000
Photocopier Lease		
Within 1 Year	5,400	6,075
1–2 Years	5,400	6,075
2–5 Years	5,400	12,150
	\$16,200	\$24,300

8. SUBSIDIARY ENTITY & RELATED PARTY

The subsidiary of Motu Economic and Public Policy Research Trust (“Trust”) is Motu Research and Education Foundation (“Foundation”). The Foundation is a Charitable Trust settled on 8 September 2006. Under FRS37, the Foundation is deemed to be controlled by the Trust and therefore is consolidated with the Trust’s financial results. The Trust periodically invoices the Foundation for its share of common overheads.

9. SENIOR FELLOW RESEARCH ACCOUNTS

Distributions to the Senior Fellow Research Accounts are made after the surplus for the year has been finalised. Senior Fellows can use funds at their own discretion and expenses are recognised when incurred. A Senior Fellow can use their reserve for research activity or any activity related to the achievement of Motu’s purposes such as Travel Costs, Conference Fees, to fund Research Analysts, Data Costs, Books and Materials, and Non funded Senior Fellow time such as Sabbaticals. Any remaining balances are retained by Motu, should a Senior Fellow leave Motu’s employ.

Reserves as at 30 June 2011 are made up as follows:

Andrew Coleman	18,908
Arthur Grimes	15,649
Dave Mare	27,813
Steve Stillman	28,624
Suzi Kerr	31,660
	\$122,654

Motu Research and Education Foundation

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INDEPENDENT AUDITOR'S REPORT
To the Trustees of Motu Research and Education Foundation

Report on the Financial Statements

We have audited the financial statements of Motu Research and Education Foundation on pages 48 to 52, which comprise the statement of financial position as at 30 June 2011, and the statement of changes in equity, and statement of financial performance for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Trustees, as a body, in accordance with the Trust Deed of Motu Research and Education Foundation. Our audit has been undertaken so that we might state to the Trustees those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustees, as a body, for our audit work, for this report, or for the opinions we have formed.

Board of Trustees Responsibility for the Financial Statements

The Board of Trustees are responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting practice in New Zealand and for such internal control as the Board of Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, Motu Research and Education Foundation.

Opinion

In our opinion, the financial statements on pages 48 to 52, present fairly, in all material respects, the financial position of Motu Research and Education Foundation as at 30 June 2011, and its financial performance for the year then ended in accordance with generally accepted accounting practice in New Zealand.



BDO Wellington
Chartered Accountants
25 October 2011

Motu Research and Education Foundation

Trust Directory as at 30 June 2011

Settlor	Roderick Sheldon Deane
Nature of Business	Charitable Trust
Trustees	Neil Green (Foundation Chair) Howard Fancy (Director) Dr Roderick Marshall Carr Colin Charles James John Roberts
Date of Formation	08 September 2006
Auditors	BDO Wellington Level 1, Tower Building 50–64 Customhouse Quay Wellington

Motu Research and Education Foundation

Statement of Financial Performance for the Year Ended 30 June 2011

	2011	2010
	\$	\$
INCOME		
Interest Received	17,600	12,417
Other Income	2,700	3,000
Patron Contributions	100,000	80,000
Total Income	120,300	95,417
LESS EXPENSES		
Other Operating Expenses	44,693	33,976
TOTAL EXPENSES	44,693	33,976
NET SURPLUS	75,607	61,441
NET SURPLUS TRANSFERRED TO ACCUMULATED FUNDS	\$75,607	\$61,441

This statement is to be read in conjunction with the Notes to the Financial Statements

Motu Research and Education Foundation


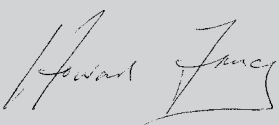
Statement of Movements In Equity for the Year Ended 30 June 2011

	2011	2010
	\$	\$
Net Surplus	75,607	61,441
Total recognised revenues & expenses	75,607	61,441
EQUITY AT START OF YEAR	327,479	266,038
EQUITY AT END OF YEAR	\$403,086	\$327,479

This statement is to be read in conjunction with the Notes to the Financial Statements

Motu Research and Education Foundation

Statement of Financial Position as at 30 June 2011

	Note	2011 \$	2010 \$
CURRENT ASSETS			
Cash	3	224,420	348,450
Investments	3	110,000	
Accounts Receivable		64,058	70,119
Total Current Assets		398,478	418,570
CURRENT LIABILITIES			
Accounts Payable		15,391	11,090
Income Received in Advance		90,000	80,000
Total Current Liabilities		105,391	91,090
WORKING CAPITAL		293,086	327,479
NON-CURRENT ASSETS			
Investments	3	110,000	
Total Non-Current Assets		110,000	102,134
NET ASSETS		\$403,086	\$327,479
Represented by;			
Accumulated Funds		403,086	327,479
EQUITY		\$403,086	\$327,479
On behalf of board;			
Trustee:			
			
Director:			
			
Date: 28 October 2011			

This statement is to be read in conjunction with the Notes to the Financial Statements

Motu Research and Education Foundation

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2011

1. STATEMENT OF ACCOUNTING POLICIES

Motu Research and Education Foundation is a charitable trust registered under the Charitable Trusts Act 1957. The financial statements have been prepared in accordance with the Financial Reporting Act 1993.

Measurement Base

The generally accepted accounting principles recommended by the New Zealand Institute of Chartered Accountants for the measurement and reporting of profits and the financial position on a historical cost basis have been followed.

Specific Accounting Policies

The following specific accounting policies which materially affect the measurement of financial performance and the financial position have been applied:

(a) Differential Reporting

Under Paragraph 4.23 of the Financial Reporting Act 1993, Motu Research and Education Foundation qualifies for the differential reporting as it is not publicly accountable and it is small. Motu Research and Education Foundation has taken advantage of all available differential reporting exemptions.

(b) Revenue Recognition Policy

Income is recognised in the period it is earned.

(c) Patron Income

Patron income is recognised in the period of patronage.

(d) Goods & Services Tax

These financial statements have been prepared on a GST exclusive basis except for accounts receivable and accounts payable which include GST as applicable.

(e) Income Tax

Motu Research and Education Foundation has charitable status and therefore has been granted an income tax exemption.

(f) Receivables

Receivables are stated at their estimated realisable value. Bad debts are written off in the year in which they are identified.

(g) Investments

Term deposits are classified as Investments where they have a maturity date greater than three months from acquisition. All term deposits are entered into with the intention of holding to maturity. Any term deposits with a maturity date greater than twelve months after balance date are therefore classified as non-current.

Motu Research and Education Foundation

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2011

2. CONTINGENT LIABILITIES

At balance date there are no known contingent liabilities (2010:\$0). Motu Research and Education Foundation has not granted any securities in respect of liabilities payable by any other party whatsoever.

3. CASH AND INVESTMENTS

	2011	2010
	\$	\$
CASH		
National Bank – 00	4,607	60,935
National Bank – 02	219,813	77,926
Term Deposits	209,590	
	<u>224,420</u>	<u>348,450</u>
TERM DEPOSIT INVESTMENTS		
Westpac		
Investment Number	Maturity	
# 001	12/30/2011	110,000
National		
Investment Number	Maturity	
#1002	7/2/2012	110,000
		<u>220,000</u>
Classified as:		
Current		110,000
Non-Current		110,000
		<u>220,000</u>
		<u>209,590</u>
TOTAL CASH AND		
TERM DEPOSIT INVESTMENTS	\$444,420	\$348,450

There was no overdraft as at balance date nor was any facility arranged.

4. SUBSIDIARY ENTITY & RELATED PARTY

Motu Research and Education Foundation (“Foundation”) is the subsidiary of Motu Economic and Public Policy Research Trust (“Trust”). The Foundation is a Charitable Trust settled on 8 September 2006. Under FRS37, the Foundation is deemed to be controlled by the Trust and therefore is consolidated with the Trust’s financial results. The Trust periodically invoices the Foundation for its share of common overheads.

Motu Economic and Public Policy Research Trust and Group

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INDEPENDENT AUDITOR'S REPORT
To the Trustees of Motu Research and Education Foundation

Report on the Financial Statements

We have audited the financial statements of Motu Research and Education Foundation on pages 48 to 52, which comprise the statement of financial position as at 30 June 2011, and the statement of changes in equity, and statement of financial performance for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Trustees, as a body, in accordance with the Trust Deed of Motu Research and Education Foundation. Our audit has been undertaken so that we might state to the Trustees those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustees, as a body, for our audit work, for this report, or for the opinions we have formed.

Board of Trustees Responsibility for the Financial Statements

The Board of Trustees are responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting practice in New Zealand and for such internal control as the Board of Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, Motu Research and Education Foundation.

Opinion

In our opinion, the financial statements on pages 48 to 52, present fairly, in all material respects, the financial position of Motu Research and Education Foundation as at 30 June 2011, and its financial performance for the year then ended in accordance with generally accepted accounting practice in New Zealand.



BDO Wellington
Chartered Accountants
25 October 2011

Motu Economic and Public Policy Research Trust and Group

Statement of Financial Performance for the Year Ended 30 June 2011

	Note	2011 Group \$	2011 Parent \$	2010 Group \$	2010 Parent \$
INCOME					
Research Grants		2,485,895	2,485,895	2,075,897	2,075,897
Interest Received		100,374	82,774	64,233	51,816
Patron Income and Donations		100,000	0	80,000	0
Other Income		11,511	8,811	12,524	9,524
Total Income		2,697,779	2,577,479	2,232,655	2,137,238
LESS EXPENSES					
Personnel		1,092,478	1,092,478	911,381	911,381
Research Project Costs		921,363	921,363	757,116	757,116
Dissemination Expenses		7,000	7,000	0	0
Audit Fees		10,237	10,237	8,850	8,850
Depreciation	6	46,449	46,449	77,629	77,629
Loss on Sale		5,187	5,187	0	0
Rent & Outgoings		85,000	85,000	85,000	85,000
Other Operating Expenses		219,976	175,283	190,296	156,320
Total Operating Expenses		2,387,690	2,342,997	2,030,273	1,996,296
NET SURPLUS		310,090	234,483	202,382	140,941
OTHER EXPENSES					
Senior Fellow Research Accounts	9	7,599	7,599	28,757	28,757
TOTAL EXPENSES		2,395,289	2,350,596	2,059,029	2,025,053
NET SURPLUS TRANSFERRED TO ACCUMULATED FUNDS		\$302,491	\$226,883	\$173,626	\$112,185

This statement is to be read in conjunction with the Notes to the Financial Statements

Motu Economic and Public Policy Research Trust and Group

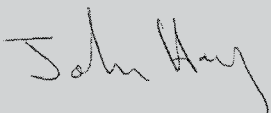
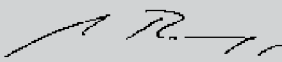
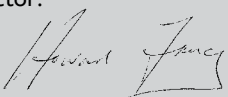
Statement of Movements in Equity for the Year Ended 30 June 2011

	2011 Group \$	2011 Parent \$	2010 Group \$	2010 Parent \$
Net Surplus	302,491	226,883	173,626	112,185
Total recognised revenues & expenses	302,491	226,883	173,626	112,185
EQUITY AT START OF YEAR	1,225,980	898,502	1,052,355	786,317
EQUITY AT END OF YEAR	\$1,528,471	\$1,125,385	\$1,225,980	\$898,502
SENIOR FELLOW RESEARCH RESERVE				
Opening Senior Fellow Research Reserve	47,753	47,753	50,560	50,560
Plus Transfers from Accumulated Funds	82,500	82,500	25,950	25,950
Less Allocation Spent	-7,599	-7,599	-28,757	-28,757
Closing Senior Fellow Research Reserve	\$122,654	\$122,654	\$47,753	\$47,753
ACCUMULATED FUNDS				
Opening Accumulated Funds	1,178,227	850,749	1,001,795	735,757
Net Surplus	302,491	226,883	173,626	112,185
Less Allocation to Senior Fellow Research Reserve	-82,500	-82,500	-25,950	-25,950
Plus Allocation Spent	7,599	7,599	28,757	28,757
TOTAL ACCUMULATED FUNDS	\$1,405,817	\$1,002,731	\$1,178,227	\$850,749

This statement is to be read in conjunction with the Notes to the Financial Statements

Motu Economic and Public Policy Research Trust and Group

Statement of Financial Position as at 30 June 2011

	Note	2011 Group \$	2011 Parent \$	2010 Group \$	2010 Parent \$
CURRENT ASSETS					
Cash	4	499,608	275,188	2,101,738	1,753,288
Investments	4	793,539	683,539		
Accounts Receivable		490,142	426,084	327,846	257,727
Work in Progress		9,774	9,774	101,636	101,636
Total Current Assets		1,793,062	1,394,584	2,531,221	2,112,651
CURRENT LIABILITIES					
Accounts Payable		258,657	243,266	252,670	241,579
Accrued Expenses		72,286	72,286	58,354	58,354
Income Received in Advance		1,095,263	1,005,263	1,096,349	1,016,349
Total Current Liabilities		1,426,207	1,320,816	1,407,373	1,316,282
WORKING CAPITAL		366,855	73,768	1,123,848	796,369
NON-CURRENT ASSETS					
Plant, Property & Equipment	5	71,617	71,617	102,134	102,134
Investments	4	1,090,000	980,000		
Total Non-Current Assets		1,161,617	1,051,617	102,134	102,134
NET ASSETS		\$1,528,471	\$1,125,385	\$1,225,981	\$898,503
Represented by:					
Accumulated Funds		1,405,818	1,002,731	1,178,228	850,750
Senior Fellow Research Reserve		122,654	122,654	47,753	47,753
EQUITY		\$1,528,471	\$1,125,385	\$1,225,981	\$898,503
On behalf of board:					
Chair:					
					
Chair of Finance Subcommittee:					
					
Director:					
					
Date: 28 October 2011					

This statement is to be read in conjunction with the Notes to the Financial Statements

Motu Economic and Public Policy Research Trust and Group

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2011

1. STATEMENT OF ACCOUNTING POLICIES

Motu Economic and Public Policy Research Trust is a charitable trust registered under the Charitable Trusts Act 1957. The financial statements have been prepared in accordance with the Financial Reporting Act 1993.

Consolidated Financial Statements

The consolidated group financial statements comprise the following entities: Motu Economic and Public Policy Research Trust (“Trust”) and Motu Research and Education Foundation (“Foundation”). The purchase method of consolidation, whereby all inter-entity transactions and balances are eliminated, is used. Motu Research and Education Foundation was incorporated on 08 September 2006 and commenced operation in May 2007. The Foundation is controlled by the Trust as defined by FRS37 and so has been consolidated in accordance with the financial reporting standard. Refer to note 8.

Measurement Base

The generally accepted accounting principles recommended by the New Zealand Institute of Chartered Accountants for the measurement and reporting of profits and the financial position on a historical cost basis have been followed.

Specific Accounting Policies

The following specific accounting policies which materially affect the measurement of financial performance and the financial position have been applied:

(a) Differential Reporting

Under Paragraph 4.23 of the Financial Reporting Act 1993, Motu Economic and Public Policy Research Trust and Group qualifies for the differential reporting as it is not publicly accountable and it is small. Motu Economic and Public Policy Research Trust and Group has taken advantage of all available differential reporting exemptions except GST, the statements are presented exclusive of GST.

(b) Revenue Recognition Policy

Income is recognised progressively as work is completed.

(c) Patron Income

Patron income is recognised in the period of patronage.

(d) Fixed Assets & Depreciation

The entity has the following classes of fixed assets:

Furniture & Fittings	11.4–48%
Office Equipment	40–60%

All fixed assets are recorded at cost less accumulated depreciation. Depreciation of the assets has been calculated using up to the maximum rates permitted by the Income Tax Act 2007.

(e) Foreign Currencies

Transactions denominated in foreign currencies are converted at the exchange rate prevailing at the transaction date. Foreign currency receivables and payables are converted at exchange rates prevailing at balance date. Foreign exchange gains and losses are included as income or expenses respectively in the Statement of Financial Performance.

(f) Goods & Services Tax

These financial statements have been prepared on a GST exclusive basis except for accounts receivable and accounts payable which include GST as applicable.]

(g) Income Tax

Motu Economic and Public Policy Research Trust and Motu Research and Education Foundation have been granted charitable status and are therefore exempt from income tax.

(h) Leased Assets

Operating Leases

Operating leases are those where all the risks and benefits are substantially retained by the lessor. Lease payments are expensed in the period the amounts are payable.

(i) Receivables

Receivables are stated at their estimated realisable value. Bad debts are written off in the year in which they are identified.

(j) Investments

Term deposits are classified as Investments where they have a maturity date greater than three months from acquisition. All term deposits are entered into with the intention of holding to maturity. Any term deposits with a maturity date greater than twelve months after balance date are therefore classified as non-current.

Changes in Accounting Policies

There has been one change in accounting policies related to the presentation of Term deposit investments. All other policies have been applied on bases consistent with those used in previous years.

2. AUDIT

These financial statements have been subject to audit. Please refer to Auditor's Report.

3. CONTINGENT LIABILITIES

At balance date there are no known contingent liabilities (2010:\$0). Motu Economic and Public Policy Research Trust and Group have not granted any securities in respect of liabilities payable by any other party whatsoever.

Motu Economic and Public Policy Research Trust and Group

Notes to and Forming Part of the Financial Statements for the Year Ended 30 June 2011

4. CASH AND TERM DEPOSIT INVESTMENTS

	2011	2011	2010	2010
	Group	Parent	Group	Parent
	\$	\$	\$	\$
CASH				
National Bank – 00	35,325	35,325	161,210	61,210
National Bank – 025	239,720	239,720	558,895	558,895
National Bank – US\$	25	25	28	28
National Bank – 00	4,607	-	60,935	-
National Bank – 02	219,813	-	77,926	-
Petty Cash	118	118	281	281
Term Deposits			1,242,464	1,032,874
	<u>499,608</u>	<u>275,188</u>	<u>2,101,738</u>	<u>1,753,288</u>

TERM DEPOSIT INVESTMENTS

Westpac

Investment Number	Maturity		
#001	13/12/2011	150,000	150,000
#001	30/12/2011	110,000	
#002	13/06/2012	150,000	150,000
#003	30/11/2012	125,000	125,000
#004	31/05/2013	125,000	125,000
#005	29/11/2013	120,000	120,000
#006	30/08/2013	120,000	120,000

National Bank

Investment Number	Maturity		
#1007	30/09/2011	233,539	233,539
#1008	28/02/2012	150,000	150,000
#1002	02/07/2012	110,000	
#1009	31/08/2012	150,000	150,000
#1010	08/02/2013	125,000	125,000
#1011	28/02/2014	107,500	107,500
#1012	12/05/2014	107,500	107,500
		<u>1,883,539</u>	<u>1,663,539</u>

Classified as:

Current	793,539	683,539
Non-Current	1,090,000	980,000
	<u>1,883,539</u>	<u>1,663,539</u>

TOTAL CASH AND TERM DEPOSIT INVESTMENTS **\$2,383,147** **\$1,938,727** **\$2,101,738** **\$1,753,288**

The Trust has an overdraft limit of \$50,000 with ANZ National Bank Limited. The interest rate at balance date was 7.24%. This overdraft facility is secured by way of a term deposit held at ANZ National Bank.

5. FIXED ASSETS

	2011	2011	2010	2010
	Group	Parent	Group	Parent
	\$	\$	\$	\$
Furniture & Fittings				
At cost	71,966	71,966	72,203	72,203
Less Accumulated Depreciation	<u>34,957</u>	<u>34,957</u>	<u>30,013</u>	<u>30,013</u>
	37,009	37,009	42,190	42,190
Office Equipment				
At cost	243,175	243,175	379,213	379,213
Less Accumulated Depreciation	<u>208,568</u>	<u>208,568</u>	<u>319,269</u>	<u>319,269</u>
	34,607	34,607	59,944	59,944
Total Fixed Assets	\$71,617	\$71,617	\$102,134	\$102,134

6. DEPRECIATION EXPENSE

	2011	2011	2010	2010
	Group	Parent	Group	Parent
	\$	\$	\$	\$
Furniture & Fittings	6,234	6,234	7,332	7,332
Office Equipment	<u>40,215</u>	<u>40,215</u>	<u>70,297</u>	<u>70,297</u>
	\$46,449	\$46,449	\$77,629	\$77,629

7. OPERATING LEASE COMMITMENTS

	2011	2011	2010	2010
	Group	Parent	Group	Parent
	\$	\$	\$	\$
Lease of premises at level 1, 93 Cuba Street, Wellington:				
Within 1 Year	85,000	85,000	85,000	85,000
1–2 Years	85,000	85,000	85,000	85,000
2–5 Years	<u>85,000</u>	<u>85,000</u>	<u>170,000</u>	<u>170,000</u>
	\$255,000	\$255,000	\$340,000	\$340,000
Photocopier Lease				
Within 1 Year	5,400	5,400	6,075	6,075
1–2 Years	5,400	5,400	6,075	6,075
2–5 Years	<u>5,400</u>	<u>5,400</u>	<u>12,150</u>	<u>12,150</u>
	\$16,200	\$16,200	\$24,300	\$24,300

8. SUBSIDIARY ENTITY & RELATED PARTY

The subsidiary entity is Motu Research and Education Foundation. The Foundation is a Charitable Trust settled on 8 September 2006. Under FRS37, the Foundation is deemed to be controlled by the Trust and therefore is consolidated with the Trust's financial results. The Trust periodically invoices the Foundation for its share of common overheads.

9. SENIOR FELLOW RESEARCH ACCOUNTS

Distributions to the Senior Fellow Research Accounts are made after the surplus for the year has been finalised. Senior Fellows can use funds at their own discretion and expenses are recognised when incurred. A Senior Fellow can use their reserve for research activity or any activity related to the achievement of Motu's purposes such as Travel Costs, Conference Fees, to fund Research Analysts, Data Costs, Books and Materials and non-funded Senior Fellow time such as Sabbaticals.

Any remaining balances are retained by Motu, should a Senior Fellow leave Motu's employ.

Reserves as at 30 June 2011 are made up as follows:

Andrew Coleman	18,908
Arthur Grimes	15,649
Dave Mare	27,813
Steve Stillman	28,624
Suzi Kerr	<u>31,660</u>
	\$122,654

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